El Oro Ltd

9 October 2012

El Oro Ltd. (“the Company") Registration No: 49778

ANNUAL REPORT AND ACCOUNTS – 30 JUNE 2012

The Directors are pleased to announce the audited Financial Statements for the year ended 30 June 2012 for the Company.

A Preliminary Announcement for the Company is attached to this announcement.

The Company’s Share Price can be found at www.cisx.com and also on SETSqx [ticker – ELX].

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Preliminary Announcement

Chairman's statement

The Board paid a final dividend of 20 pence per share for the year-ended 30 June 2011 on 28 November 2011 to Members registered on the books of the Company at the close of business on 4 November 2011.

The Board has resolved to pay a final dividend of 3.5 pence for the year-ended 30 June 2012 on 23 November 2012 to Members registered on the books of the Company at the close of business on 2 November 2012, which would have been equivalent to 21 pence per share prior to the split and bonus issue on 28 November 2011.

The subsequent increase in net asset value for July (119.5 pence) and August (121.6 pence) is reassuring following the market pressures leading up to our financial year ended 30 June.

The El Oro Group's loss before tax for the year-ended 30 June 2012 was £21,782,577 (profit before tax for the year-ended 30 June 2011 was £30,363,697). The Group's net assets at 30 June 2012 were £76,305,325 or 118.0 pence per share (30 June 2011 were £98,171,099 or 151.8 pence per share). Following market volatility, unrealised losses included in the figures for the year-ended 30 June 2012 were £25,725,755 (unrealised profit to 30 June 2011: £22,199,717).

This soggy set of results, saturated by incessant rain in May and June, followed the failure to heed the old adage of 'Sell in May'.

In consequence and in conjunction with the burgeoning crisis in the Euro zone, falling growth in China, with its effect on the commodities markets, and the increasing frailty of the Coalition and the shambles of the Chancellor's Budget, market levels at the end of June reached a nadir and saw hefty falls, particularly amongst smaller mining stocks.

Whilst the price of Troy held up remarkably well, as a result of its growing production profile, many of our smaller exploration stocks lacking the buffer of production languished at pitiful levels. In some cases, such as Centamin Egypt, Extorre and perhaps Patagonia in Argentina, this was exacerbated by political turmoil, persecution or posturing, such as that practised by the government of Argentina, recently deprived of its tall ship La Libertad to a hedge fund plaintiff whilst at port in Ghana. The old adage that you can run, but you cannot hide, comes to mind.

Extorre has since been swallowed by Yamana, albeit at a price well below that of its highs in 2011, whilst Centamin Egypt has responded to what might be seen as a more stable government under its almost-democratically-elected leader. PZ Cussons has also suffered as a result of murders and mayhem in Nigeria, along with tough competition in Australia. Under the soporific sentiment of a static Gold price and modestly lacklustre production figures, other holdings such as Archipelago Resources, whose Toka Tindung gold production has at long last commenced, also declined.

The travails of the Platinum market have been to the fore more recently, but our South African holding's in Impala and Anglo-Platinum were already suffering from an excess of supplies and a weak catalyst market before the tragic events at Marikana. The current turmoil and spate of strikes does not bode well for the output of minerals although perversely it may thereby reduce the output of gold and platinum and help enhance their price. The egregious accumulation of wealth in the hands of the few which would appear to have been the main outcome of the transfer of power may now be coming to haunt the harmony and labour relations of that land, with uncertain consequences in the absence of a cohesive leader of Moral stature. All something to brood over, before the chickens come home to roost. Proverbs XXVIII v 6: 'Better is a poor man who walks in his integrity than a man who is rich and perverse in his ways' an attribute equally essential amongst the new leaders of our Banks and Financial sector, as well as those elsewhere in the world.

The high expectations of Her Majesty's Diamond Jubilee from the Brewers' perspective received a thorough soaking, along with the spectators. Many of our other UK based holdings suffered under the Economic uncertainty engendered by excessive Direct and Indirect taxation, particularly and invidiously on the Pub sector, along with the perceived shortcomings of the Administration and Business Secretary's ambivalent attitude.3 El Oro Ltd Annual Report

The travails of the Bank sector, under assault both by the UK authorities for its failure to expand its lending to the consumer, and the United States for money-laundering or rate-fixing, has in no small measure impeded any putative recovery in Britain; at a time when the storm clouds of wrath have been massing around the World. The requirements of the Basel convention have obliged Banks to set aside additional cash to build their solvency ratios, and in so doing have reduced their capacity to lend at a time when it is most needed. Not content with allowing our financial institutions to be shackled in this way, it is now proposed to start a' People's Bank' to lend primarily to the housing sector, even though the 'People' already own the bulk of RBS and a large position in Lloyds TSB.

It is a sad reflection on the level of economic literacy in this country that such an absurd idea can gain the light of day and be considered as Government policy. The failure of recent attempts by statutory bodies to provide finance, not to mention their predecessors in the 60s and 70s, should have been sufficient warning to steer clear of Government involvement. We are told that well-capitalised and managed banks from elsewhere, such as the Swedish Handlesbanken, are making inroads into the British lending market; moreover several start-up banks are seeking funds, and we believe it is utterly invidious that the Government should be seeking involvement in this sector. Surely its incompetence in managing market-orientated activities has already been proven beyond doubt? The inability of the Government and Civil Service to conduct a fair Rail Franchise process is the latest fiasco to become apparent, and will hopefully put paid to the absurd High Speed Rail project.

The ongoing destruction of Britain's Company Pension Schemes has also reduced the amount of money to be invested in business, as illustrated recently by Smiths Industries, amongst others, and Dawson International. The effect of Quantitative Easing has been to reduce yields on bonds, thereby requiring the input of further funds into the Pension schemes, to produce the requisite amount of income for Plan holders. This in turn reduces the amount which may be re-invested into the business, achieving almost the diametric opposite of what was intended by low rates.

With the dissolution of Guinness Peat's Brewery holdings, redirected back to Australia at quite possibly an opportune time, we increased our position in both Young's Brewery (a slight misnomer after its exit from the Wells and Young's arrangement) and Shepherd Neame; both well-run businesses that have stood the test of time and owning extensive South–Eastern England Estates. Both would appear to be thriving, despite today's youthful obsession with 'social networking' reducing attendance at real venues.

At the ground level, James Halstead has proved its staying power, and in more recent weeks has soared to new highs, as it attracts a widening band of admirers, bolstered by yet more record figures and growing production in what for most of its rivals is a forbidding market.
We paid up for our warrants in Hurricane Exploration, with its extensive North Sea Oil reserves, but remain cognisant that its ultimate success remains dependent upon a deep-pocketed and honourable partner, along with a sustained high price of oil.

Our investment in Red Leaf and its Shale Oil extraction Technology, now backed by Total, could well be a significant beneficiary of the burgeoning Shale Gas Revolution: this has tremendous implications for Britain's and the World's Energy costs, if not blocked by the modern day Luddites from the Green Movement.

A depressing announcement recently was that of Japan's decision to phase out its Nuclear Power production, amongst the third largest in the World; although given the demographic decline in prospect for Japan, what remains of their population may well be able to make do sheltering under a Turbine for an occasional gust of wind, accompanied and assisted by an Honda Robot as a surrogate child. Japan's decline is symbolised by the departure of Nomura from its London headquarters, as it returns to its homeland after the Rise and Fall of its Banking pre-eminence.

Happily we have banked our money from Kalahari Minerals, from its new Chinese owners, although our other Uranium-focused investments are unlikely to sizzle anytime soon, unlike Fukushima.

MP Evans has continued to produce good results, despite a fall in the Palm Oil price and lower Cattle prices in Australia: its production profile along with that of REA Holdings as well as that of Kuala Lumpur Kepong should continue to benefit from increasing demand for Palm Oil.

Hard on the heels of our financial year-end came the Olympics, already applauded in their fulfilment in effusive coverage elsewhere. Whilst our heroes of water, wheels, hoof, spike and shot have engraved their prowess and persistence, energy and endeavour into our memories, the uplift they and the salutary sunshine bestowed upon our crops and pastures in recent weeks; has for a moment at least revived our flagging spirits.

It would however be premature to indulge in a fantasy of a respite from the 'hard times a' coming': if anything the future is more sombre and ominous than it has been for many years. The disastrous intervention by NATO and the United States in Libya and North Africa, along with Syria and Afghanistan, is now becoming painfully and tragically apparent: while the cold reality of the embedded power of the Muslim Brotherhood and Al Qaeda in distorting a minority vote for its own ends, in Egypt, Tunisia and Libya, is becoming increasingly obvious. Syria's collapse into anarchy and civil war accelerates, unbelievably abetted by the British Government's assistance to the rebels; it would seem they, like the Bourbons, have forgotten nothing and learnt nothing from their experience in Libya, Iraq and Afghanistan. After 10 years of strife and too many lives lost; the Taliban creep ever closer to the resumption of their rule. Perhaps a reading of Orlando Figes' 'A People's Tragedy', and of Lenin's elimination of the Mensheviks, might have alerted the many naïve politicians who have brought us to the present imbroglio, to a less starry-eyed vision for the future of North Africa and the once-stable parts of the Middle East.

Instead we are left facing the expulsion of Western interests from that area, and in Britain's case with a severely shrunken military capability have no Aircraft carrier to protect our interests for the next 10 or more years. It is deeply disheartening to observe the insouciance with which our leaders are reducing Defence spending to less than 2% of the overall budget, whilst maintaining overseas Aid and its enrichment of yet more cosy cliques; in addition to splurging insane subsidies on pernicious and inefficient Wind Turbines and other 'renewable' chimera: to scrap the Ark Royal 5 years ahead of schedule for a miniscule £3m, probably the price of a kitchen in an Oligarch's London Mansion, and to consider it good budgeting, beggars belief.

How tragic to see our Armed Forces sliced and diced at a time when the outlook for peace is in fact so clouded and uncertain. Into this maelstrom has to be mixed the threat of an attack on Iran, as it develops its nuclear capabilities, and the rumblings and grumblings between Japan and China over the disputed islands. Sadly, any new Dawn for the World of Peace and Prosperity has faded into an early twilight.

As to the Future, some of the older and more frivolous amongst you may recall a Television programme from the '50s and '60s called Whirlybirds, or Copter Patrol; few would have imagined that it was to be brought back into the heart of Government by none other than the Governor of the Federal Reserve, Mr. Ben Bernanke: his determination to spend spend spend America's way out of depression knows no bounds and is in marked contrast to the approach in 1920-21, which saw no bail out adopted and a relatively swift recovery from the downturn. Now it is apparent that the 'Yes we can' cry from the putative President Obama in 2008 has been replaced in his Presidential role by the realisation of ' No, we can't".

The latest version of Quantitative Easing, denominated QE3, has been greeted with a surge by most markets, and seeks to continue and build upon whatever was accomplished by QE1 and QE2. The Keynesians and Krugmanites will applaud such Government largesse, whilst those from the Austrian School, or believers in Sound Money, will regard this as an act of insanity, trying to achieve what 2 previous attempts have dismally failed to do; namely buying mortgage backed securities to bail out the banks whose lax lending led us into the abyss in the first place.

The British government sadly has succumbed to much the same fantasy, proposing a house building programme to boost supply, abetted by the appropriately named Mr. Balls, when it is patently obvious that any house outside a 30 mile radius of London is currently unsaleable, because banks are unwilling to lend, and borrowers do not wish to expose themselves to prices that most consider still too high. When houses are again affordable, in its real meaning, they will sell and be sold, but certainly not whilst remaining at pre-crash levels and with exorbitant taxes being levied on their purchase and disposal.

Just as Britain's deficit continues, despite all the protestations of the Coalition's cheerleaders, to spiral beyond the £600 billion mark; so in the United States the 'Fiscal Cliff', fudged several months ago, is now rapidly approaching. Whilst there might be a ledge onto which the Government can cling for a little longer, at some point the Bond markets will refuse to feed the gargantuan appetite of both the US and the UK's bloated budgets; boosted as they are by insatiable, unaffordable and infinite Social Security, Healthcare and Pension demands, without mentioning Defence and Education.

More tragically, the Pensioners and Savers, especially of Britain, see their returns reduced to almost zero, with the Annuity needed to fund their pensions now unaffordable, owing to the abysmal level of interest rates: so the savers are shredded while the indigent and dependent are protected and enriched at their expense. Even the small solace of Pensioners' Freedom Pass and Rail card is now under attack.

This is the dilemma of Western Society, and whilst valiant efforts are being undertaken by a small number of ministers, the political cost of adopting a programme anywhere near that of Ron Paul is considered stratospheric and certain suicide.

So whilst we can rejoice that Mo Farah came not from Somalia, but Somaliland, a former British territory once untainted by the mores and vendettas of its larger namesake, we would do well to adopt a smidgeon of his commitment and dedication to training if we genuinely wish to reform and revitalise our creaking communities and indebted societies.

Without real restraint on expenditure, a proper rebuilding of necessary infrastructure and endorsement by all of the obligations to contribute to our National well-being, endless largesse and money printing is the road to ruin. Adopting the taxation policies of Messrs. Clegg, Cable, Hollande or Buffet will achieve nothing but a temporary and small salve to the debt disaster of governments, and the conscience of a manipulative minority: far better to release the energy and imagination of entrepreneurs in the creation of new and increased wealth for all, rather than trying to fill gaping holes with wodges of notes seized from unwilling and already impoverished tax-payers.

More immediately, the Eurozone stumbles forward, its bail-out now endorsed by the German court with caveats, and Mr. Draghi temporarily perhaps in the pole position over the Bundesbank. Whilst its cheerleaders may well like to suggest the corner has been turned, we would expect more maelstroms and Stürme und Gewitter (Storms and Tempest); as the intractable problems of Greece and Spain, compounded by the Chinese slowdown, continue to press remorselessly down on their hapless governments. The Depression that we all so fervently thought had been bypassed by frivolous financial legerdemain, would appear to be garrotting Greece and Spain at this very moment.

The EU is far more efficient at banning Azulox, for the treatment of Bracken, despite being the only effective and safe herbicide, than it is at resolving budget deficits, although its quest for additional powers over the Banking sector may well do for the Banks, especially the British Financial sector, what Azulox once did for bracken.

In the face of so much uncertainty, the recipe remains the same: More Gold and Gold shares, even if we are slightly suspicious of the growing consensus amongst the great and the good, such as Bill Gross amongst others, in favour of Gold. We have previously relished being on the inside of one of the best performing asset classes over the last 10 years, and watching it being decried by the Mungers and Buffets of this world. We would include in this spectrum Brewers and the best of British businesses, Food and Energy producers. Whilst we would expect the Australian dollar to weaken in due course, as the slowdown in demand for its raw materials takes effect, our investments in that mostly stable area likely to continue to bring us benefit.

“How much better is it to get Wisdom than Gold! and to get understanding rather to be chosen than Silver.” Proverbs XVI.16. We have certainly lacked discernment and acuity in some of these areas, so will proceed with a greater degree of caution into the murky waters ahead, bolstered by an essentially robust portfolio.

My thanks go to the similarly solid team at Cheval Place, now sadly bereft of Vicky Clutterbuck, who followed her swain to Somerset and whose grace and humour have enriched us over the past 5 years. We wish her well in a different stage of her life.

We remain indebted to the good services of Steven, Abbie, Nick, Melwin and more recently Jessica in meeting the ongoing challenges, along with the Directors and variety of advisers without whose wise counsel and guidance, life would be very much harder.

Robin Woodbine Parish
8 October 2012

CONSOLIDATED INCOME STATEMENT

For the year ended to 30 June 2012

	30 June 2012	30 June 2011
	£	£
Revenue	**2,103,622**	2,033,240
Net (losses) /gains on investments	**(20,131,870)**	31,617,492
Total (loss) / income	**(18,028,248)**	33,650,732
Expenses	**(2,350,838)**	(2,150,892)
(Loss) / profit before finance costs and taxation	**(20,379,086)**	31,499,840
Finance costs		
Interest expense	**(1,403,491)**	(1,136,143)
(Loss) / profit before taxation	**(21,782,577)**	30,363,697
Taxation	**2,060,104**	(2,020,092)
(Loss) / profit for the year	**(19,722,473)**	28,343,605
Basic (loss) / earnings per share	**(30.5 p)**	263.0 p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2012

	30 June 2012	30 June 2011
	£	£
Opening capital and reserves attributable to equity holders	**98,171,099**	70,355,851
Total comprehensive income: (loss) / profit for the financial year	**(19,722,473)**	28,343,605
Increase of equity on bonus issuer	**107,748**	-
Dividends paid (net)	**(2,251,049)**	(528,357)
Closing capital and reserves attributable to equity holders	**76,305,325**	98,171,099

CONSOLIDATED BALANCE SHEET
at 30 June 2012

	30 June 2012	30 June 2011
	£	£
Non-current assets		
Property, plant and equipment	**673,963**	689,937
	673,963	689,937
Current assets		
Trade and other receivables	**2,162,810**	508,323
Investments held at fair value through the profit or loss	**108,474,423**	132,027,093
Cash and bank balances	**490,581**	580,492
Current assets	**111,127,814**	133,115,908
Current liabilities		
Borrowings	**4,093,416**	8,305,528
Trade and other payables	**1,068,166**	756,064
Financial liabilities at fair value	**6,339,616**	776,666
Current tax liabilities	**-**	38,575
Current Liabilities	**11,501,198**	9,876,833
Net current assets	**99,626,616**	123,239,075
Non-current liabilities		
Borrowings	**20,000,000**	20,000,000
Deferred tax liabilities	**3,995,254**	5,757,913
	23,995,254	25,757,913
Net assets	**76,305,325**	98,171,099
Capital and reserves attributable to equity holders		
Share capital	**646,573**	538,825
Reserves		
Share premium	**6,017**	6,017
Capital redemption reserve	**347,402**	347,402
Merger reserve	**3,564**	3,564
Retained earnings	**75,301,769**	97,275,291
Total equity	**76,305,325**	98,171,099
Net asset value per share (post share split)	118.0 p	151.8 p

The Board of Directors approved and authorised the Group's financial statements for issue on 8 October 2012.

Signed on behalf of the Board by: CRW Parish (Chairman) and JA Wild (Director).

The Annual Report is available at www.eloro.com

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 June 2012

	30 June 2012	30 June 2011
	£	£
Operating activities		
Net (loss) / profit before tax	**(21,782,577)**	30,363,697
Adjustments for:		
Depreciation	**31,434**	37,174
Foreign exchange gains	**(605,338)**	(620,903)
Net unrealised gains on fair value investments through the profit or loss	**25,725,755**	(22,199,717)
Finance costs	**1,403,491**	1,136,143
Cash flow from operations before changes in working capital	**4,772,765**	8,716,394
Movement in financial assets at fair value through the profit or loss	**3,896,628**	(10,257,394)
(Increase) / decrease in trade and other receivables	**(1,324,304)**	87,921
Increase / (decrease) in trade and other payables	**316,271**	(167,840)
Cash flow from / (used in) operations	**7,661,360**	(1,620,919)
Income taxes paid	**(50,609)**	(1,430,559)
Cash flow from / (used in) operating activities	**7,610,751**	(3,051,478)
Investing Activities		
(Purchase) / sale of property, plant and equipment	**(15,460)**	6,826
Cash flow (used in) / from investing activities	**(15,460)**	6,826
Financing activities		
Interest paid	**(1,407,660)**	(1,075,078)
Net dividends paid to Shareholders	**(2,251,049)**	(528,357)
Increased bank loan	**-**	5,000,000
Cash flow (used in) / from financing activities	**(3,658,709)**	3,396,565
Net increase in cash and cash equivalents	**3,936,582**	351,913
Cash and cash equivalents at 30 June	**(7,725,036)**	(8,147,925)
Effect of foreign exchange rate changes	**185,619**	70,976
Cash and cash equivalents at 30 June	**(3,602,835)**	(7,725,036)